

**9/28/78**

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THE WHITE HOUSE

WASHINGTON

September 28, 1978

Ambassador Strauss

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling. The President signed the statement to the Congress today. The signed copy has already been given to Bob Linder for delivery.

Rick Hutcheson

cc: Stu Eizenstat  
Bob Lipshutz  
Frank Moore  
Zbig Brzezinski  
Jim McIntyre

THE SPECIAL REPRESENTATIVE FOR  
TRADE NEGOTIATIONS  
WASHINGTON

*Rob. Don't  
embarrass us  
with Congress'  
rejection  
J*

*RSB*

MEMORANDUM FOR THE PRESIDENT

FROM: Ambassador Robert S. Strauss

SUBJECT: Extension of the Countervailing Duty Waiver.

As I have previously informed you, the expiration on January 2, 1979 of the authority to waive the imposition of countervailing duties poses a serious threat to the MTN. Once the waiver authority expires, countervailing duties will have to be assessed on a range of products from various countries. The European Community has indicated that it would be politically intolerable for them to conclude an MTN package, including a subsidy countervailing duty code, in December only to have countervailing duties imposed in a manner inconsistent with the code after January 2, 1979.

We need a waiver extension to cover the period from conclusion of the MTN until it is voted upon by the Congress. Because the waiver authority includes provisions protecting U.S. industries from subsidized competition (i.e., no waiver may be granted unless adequate steps are taken to "reduce or substantially eliminate" the adverse effect of the subsidy), extension of the waiver authority for some seven months should impose no burden on U.S. industries and workers.

The attached draft legislative proposal would provide for an extension of the waiver authority, provided that the President on or before January 3, 1979, determines that an agreement on subsidies and countervailing duties has been reached and that agreement on the MTN as a whole has been substantially concluded.

I have discussed this issue with the House and Senate leaders and key members of the Ways and Means and Finance Committees. The legislation we need will not be easy to obtain, but they have agreed to go forward. They have requested from us a Presidential Message to the Congress proposing the necessary legislative initiative. I have attached a draft statement from you to the Congress and a draft legislative proposal.

FOREIGN MINISTER DAYAN IN A PRESS CONFERENCE AT BEN GURION AIRPORT  
September 19, 1978

Discussing the question of future Israeli settlements in the West Bank and Gaza areas after the establishment of the self-governing authority, Dayan made the following statement:

"Let us not delude ourselves. I have no doubt that when we enter into deliberations with the other three parties concerning what is to happen in the areas in the five years of transition, this question will come up and will be discussed and agreement will have to be reached on this subject."

QUESTION

What can an Emergency Board accomplish in this strike?

ANSWER

The main advantage of our Emergency Board will be the resumption of rail service for at least 60 days while efforts to reach a settlement are continued. Under the Railway Labor Act, the Emergency Board would make findings of fact and recommendations to me within 30 days. I would hope that the parties would then accept these recommendations. Under the law, the parties have an additional 30 days after the Emergency Board's action to come to an agreement before a work stoppage could resume. Of course, the National Mediation Board would do everything it could during this period to help the parties settle their dispute.

QUESTION

What happens if the dispute is not settled during the 60-day cooling off period? Won't that result in a nationwide strike with Congress out of session?

ANSWER

That, of course, is a possibility. I have written to Speaker O'Neill and to Majority Leader Byrd to inform them of my action today and to ask their cooperation if it should become necessary to call a special session of Congress to resolve the dispute.

Frankly, I don't expect that we will face that situation. The parties can reach agreement during the 60-day period and, under the Railway Labor Act, the parties can voluntarily extend the no-strike period beyond the 60 days.

#### QUESTION

There's speculation that the BRAC will refuse to return to work on the grounds that the creation of an emergency board only requires that the dispute revert to the "status quo" and that the "status quo" in this case is the strike condition.

#### ANSWER

That is not my interpretation of the law. Attorneys from the Administration have carefully reviewed this question and feel that the definition of the status quo is clearly the pre-strike condition we are prepared to argue this position in court if necessary.

QUESTION

Why don't you ask the Congress for legislation now?

ANSWER

I believe that we should use existing law to try to resolve these kind of problems. The Railway Labor Act establishes the procedure I am using and it is unnecessary for the Congress to have to act at this time.

### QUESTION

What will happen if the union defies the back to work order?

### ANSWER

I don't expect that to happen. Fred Kroll, the union's president, is a very responsible person. I believe that he and the members of his union will provide by the provisions of the law. Clearly our nation cannot afford this disruption in essential rail services. I am also certain that Mr. Kroll will make every effort to see if the dispute can be settled during the 60 day "cooling off" period.

### IF PRESSED:

Of ~~course~~<sup>course</sup>, if the order is not obeyed we would have to determine whether to go to court or to seek legislation. I don't expect we will have to face that situation.

PRESIDENT JIMMY CARTER  
OPENING STATEMENT, NEWS CONFERENCE  
THURSDAY, SEPTEMBER 28, 1978, 4:00 P.M.

THERE WAS NEWS OF COURAGEOUS ACTION BY TWO DIFFERENT  
LEGISLATIVE BODIES YESTERDAY.

THE FIRST WAS THE ISRAELI KNESSET, WHICH VOTED  
OVERWHELMINGLY TO ENDORSE THE CAMP DAVID PEACE AGREEMENTS,  
INCLUDING THE REMOVAL OF ISRAELI SETTLEMENTS FROM THE SINAI  
PENINSULA.

THE VOTE HAS AN IMPORTANCE THAT TRANSCENDS THE NATION  
OF ISRAEL, FOR IT SIGNIFIES THAT THE MOMENTUM TOWARD TRUE PEACE  
IN THE MIDDLE EAST CAN BE SUSTAINED.

I SPOKE WITH PRIME MINISTER BEGIN AFTER THE VOTE, AND  
I TOLD HIM THAT THE SAME COURAGE HE AND PRESIDENT SADAT HAD  
DEMONSTRATED DURING THE NEGOTIATIONS HAS CHARACTERIZED HIS  
LEADERSHIP OF THE KNESSET.

I ALSO SPOKE WITH PRESIDENT SADAT EARLY THIS AFTERNOON  
AND REPEATED MY ADMIRATION FOR THE STATESMANSHIP AND WISDOM HE  
HAS DISPLAYED THROUGHOUT THIS LONG AND DIFFICULT PROCESS.

I EMPHASIZED TO HIM, AS I HAD TO PRIME MINISTER BEGIN,  
THAT WITH THIS VOTE BEHIND US, THERE SHOULD BE NO IMPEDIMENT  
TO IMMEDIATE PEACE NEGOTIATIONS BETWEEN ISRAEL AND EGYPT.

(THE OTHER VOTE TOOK PLACE IN ...)

THE OTHER VOTE TOOK PLACE IN THE UNITED STATES SENATE, WHICH DECIDED YESTERDAY TO APPROVE THE COMPROMISE NATURAL GAS PRICING BILL.

THE HOUSE MUST STILL ACT ON THIS PROPOSAL, AND MANY OTHER ENERGY MATTERS ARE STILL TO BE RESOLVED, BUT WITH THIS VOTE, THE ENERGY POLICY OUR NATION HAS NEEDED FOR SO MANY MONTHS IS FINALLY WITHIN SIGHT.

AS A COMPROMISE, THIS BILL GIVES NO GROUP EVERYTHING IT ASKED FOR -- AND YET IS FAIR TO ALL.

IT IS FAIR TO CONSUMERS, BECAUSE IT ENSURES THAT WE WILL HAVE THE SUPPLIES OF NATURAL GAS THAT FAMILIES NEED TO HEAT THEIR HOUSES, THAT FARMERS NEED TO DRY THEIR CROPS, AND THAT INDUSTRY NEEDS TO KEEP AMERICAN WORKERS ON THE JOB.

ABOVE ALL ELSE, IT WILL HELP US DEFEND AND ENHANCE OUR ECONOMIC STRENGTH BY REDUCING OUR ENERGY IMPORTS.

FINALLY, LET ME MENTION THE RAILROAD STRIKE.

THE ADMINISTRATION HAS MADE EVERY EFFORT TO RESOLVE THE RAIL STRIKE THROUGH COLLECTIVE BARGAINING OVER THE LAST TWO DAYS.

SECRETARY OF LABOR RAY MARSHALL HAS JUST INFORMED ME THAT THE PARTIES TO THIS DISPUTE HAVE BEEN UNABLE TO REACH AN AGREEMENT AFTER 28 HOURS OF BARGAINING AT THE LABOR DEPARTMENT.

(THIS STRIKE IS CURRENTLY AFFECTING...)

THIS STRIKE IS CURRENTLY AFFECTING 73 RAILROADS AND HAS IDLED 60 PERCENT OF OUR NATIONAL RAIL CAPACITY.

IF THIS STRIKE CONTINUES INTO NEXT WEEK, BASIC INDUSTRIES, SUCH AS AUTOMOBILES, STEEL, MINING, TIMBER AND FOOD, WILL BE SERIOUSLY AFFECTED.

THERE IS ALSO THE DANGER THAT A LARGE NUMBER OF WORKERS WILL BE TEMPORARILY LAID OFF BECAUSE OF SHORTAGES CAUSED BY THE STRIKE.

THAT IS WHY I AM TAKING ACTION THIS AFTERNOON TO GET THE TRAINS ROLLING AGAIN.

THE STEP I AM TAKING IS THE ONE PROVIDED UNDER THE LAW TO DEAL WITH SITUATIONS OF THIS TYPE.

IT PROVIDES A FRAMEWORK FOR RESOLVING THIS DISPUTE, WHILE, AT THE SAME TIME, REQUIRING ALL WORKERS TO RETURN TO THEIR JOBS.

EARLIER TODAY, I RECEIVED A FORMAL RECOMMENDATION FROM THE NATIONAL MEDIATION BOARD THAT I CREATE AN EMERGENCY BOARD, UNDER THE RAILWAY LABOR ACT TO RESOLVE THIS DISPUTE.

I HAVE ACCEPTED THIS RECOMMENDATION AND HAVE APPOINTED PAUL H. HANLON, JERRE S. WILLIAMS AND JACOB SEIDENBERG TO SERVE ON THIS EMERGENCY BOARD.

ALL HAVE SERVED ON EMERGENCY BOARDS IN THE PAST AND ARE VERY FAMILIAR WITH RAILWAY NEGOTIATIONS.

(THIS STEP REQUIRES ALL WORKERS ...)

THIS STEP REQUIRES ALL WORKERS INVOLVED IN THIS STRIKE TO RETURN TO THEIR JOBS FOR 60 DAYS.

WITHIN 30 DAYS, THE EMERGENCY BOARD WILL MAKE A RECOMMENDATION TO ME ON TERMS FOR ENDING THIS DISPUTE.

I AM CONFIDENT THAT BOTH THE RAILROAD AND THE UNION CAN RESOLVE THEIR DIFFERENCES WITHIN THE NEXT 60 DAYS.

I TRUST THAT ALL WORKERS INVOLVED IN THIS STRIKE WILL RETURN TO WORK FOR THIS 60-DAY PERIOD.

LABOR RELATIONS IN THIS COUNTRY ARE GOVERNED BY A FRAMEWORK OF LAWS.

THESE LAWS BRING WORKERS BOTH RIGHTS AND OBLIGATIONS.

IN THIS CASE, WORKERS HAVE THE LEGAL OBLIGATION TO OBEY THIS ORDER AND RETURN TO WORK.

THE APPOINTMENT OF THIS EMERGENCY BOARD REPRESENTS THE BEST REMEDY THAT I HAVE UNDER THE LAW TO END THIS STRIKE.

I HAVE INSTRUCTED SECRETARY MARSHALL TO CONTINUE TO WORK WITH BOTH PARTIES DURING THIS PERIOD TO TRY TO ACHIEVE A SETTLEMENT.

THE ADMINISTRATION WILL CONTINUE TO FOLLOW THIS SITUATION CLOSELY.

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MEMORANDUM

THE WHITE HOUSE

WASHINGTON

28 September 1978

TO:

THE FIRST LADY  
JACK CARTER  
CHIP CARTER  
JEFF CARTER

FROM:

RICK HUTCHESON *RL*

SUBJECT:

Secret Service request for letters  
of authorization relative to "threat  
mail" directed towards you

Please see the attached memoranda to the President from Bob Lipshutz. Bob requests that you sign the attached form, and return it to him.

The President signed the form on September 28.

THE WHITE HOUSE

WASHINGTON

September 27, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: BOB LIPSHUTZ 

RE: Secret Service request for letters of authorization relative to "threat mail" directed towards you and members of your immediate family

In response to your inquiry concerning the above matter, I requested the Secret Service to prepare a brief statement of its activities in this regard and volume of activity.

The forms which they requested that you and members of your family sign relate only to the very small number of items which are intercepted by the United States Postal Service, about 10 per year. There is no need for a form regarding the large volume which is intercepted here at the White House, about 100 per month.

I have not heard of anything getting out of hand in connection with this matter and have no reason to believe that it is creating any problems.

The anticipated volume presumably is about the same as the past volume, in absence of some dramatic circumstances which might inspire at least temporarily, an increase.

Please let me know if you desire any further information concerning this situation. If this answers your question satisfactorily, please have the forms which I sent earlier signed by yourself, the First Lady, Jack, Chip and Jeff.



DEPARTMENT OF THE TREASURY

UNITED STATES SECRET SERVICE

WASHINGTON, D.C. 20223

OFFICE OF THE DIRECTOR

September 22, 1978

MEMORANDUM

TO : Mr. Robert Lipshutz  
Counsel to the President

FROM : Myron I. Weinstein, Assistant Director  
Office of Protective Research

SUBJECT: Presidential Consent to Open Mail

The Secret Service, in the performance of its duties, is naturally interested in any threat made on the life of the President. History has shown that a great number of threats against the President of the United States are communicated through the United States mail. The mail coming to the President through normal postal service is delivered to the White House Mail Room located in the Executive Office Building. There the mail is opened and read by White House employees.

The Secret Service has traditionally requested these White House Mail Room readers to forward to us any letter containing a direct threat toward the President or any letter which meets a certain set of criteria which we very clearly outlined for them. A list of those criteria is attached.

All mail forwarded to the Secret Service by the White House Mail Room has an accountability slip attached to it. If the Secret Service determines that it has no interest in a piece of mail, this is indicated on the slip and the piece of mail is returned to the White House Mail Room. If the Secret Service has an interest in a piece of mail, then it is kept and a withholding form is filled out

Mr. Robert Lipshutz -- page 2


indicating that the piece of mail is being kept by the Service. The withholding form is then returned to the White House Mail Room.

Approximately 100 threatening, abusive or obscene letters directed to the President or other protectees are referred to this Division each week by the White House Mail Room.

In addition to receiving threatening mail through the above process, there is another way that threatening mail is brought to the attention of the Secret Service. In some cases the person threatening the President will write the threat on the face of the envelope. A postal employee, during the process of sorting the mail in a post office, will notice the threat on the envelope and bring it to the attention of a U. S. Postal Inspector, who in turn will notify the Secret Service of the threat. However, it is illegal for the Postal Inspector to turn over that piece of mail to the Secret Service for investigation without either a court order or the consent of the President. To obtain a court order in most cases is a time consuming process and valuable time in investigating the threat is lost.

Consent from the President for the Secret Service to open his mail would enable the Postal Inspectors to turn over such threatening correspondence to this Service, thereby allowing an investigation to begin immediately.

I would like to point out that in this type of case the Secret Service is the passive recipient of threatening mail which is brought to our attention by the U. S. Postal Service. It is further noted that cases of this nature occur only about 10 times a year.

  
Myron I. Weinstein

Attachment

CRITERIA FOR REFERRING LETTERS

*Attachment #1*

Letters which contain any of the following should be referred to the Secret Service for their review:

- 1) Direct or implied threats toward anyone
- 2) References to suicide
- 3) Indication toward terroristic activity such as hijacking, kidnapping, taking hostages, etc.
- 4) Any reference to assassination
- 5) Person believes himself to be one of our protectees
- 6) Extremely abusive or obscene
- 7) Person indicates that he is coming to see the President or any protectee
- 8) Sexual overtones toward protectees
- 9) Any mention of Secret Service
- 10) Person has an unusual grievance against Government or makes an exaggerated demand of a protectee.

Secret Service protectees include:

- |                            |                             |
|----------------------------|-----------------------------|
| (1) President Carter       | (10) Former President Ford  |
| (2) Rosalynn Carter        | (11) Mrs. Ford              |
| (3) Jack Carter            | (12) Former President Nixon |
| (4) James Carter           | (13) Mrs. Nixon             |
| (5) Jeff Carter            | (14) Mrs. Eisenhower        |
| (6) Amy Carter             | (15) Mrs. Truman            |
| (7) Vice President Mondale | (16) Mrs. Johnson           |
| (8) Mrs. Mondale           | (17) Foreign Heads of State |
| (9) Secretary Blumenthal   | who visit this country      |

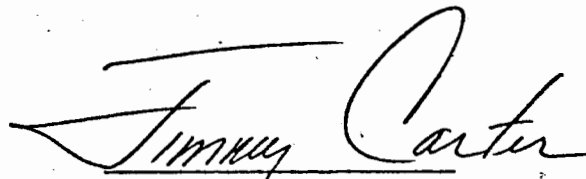
## CONSENT TO OPEN THREAT MAIL

Pursuant to United States Postal Service regulations 115.31(c), 43 Federal Register 14312 (1978) and 39 United States Code, Section 3623(d), I voluntarily give my express consent to the Director of the United States Secret Service or his designee to:

(1) intercept, open and read mail of which I am the addressee, subject to the following provisions --

(2) this consent applies to mail which, by outward appearance or other suspicious signs, is deemed to involve either a threat directed towards myself or a member of my immediate family; and also this consent applies to mail which, because of prior investigation or an ongoing investigation by the United States Secret Service, is deemed to relate to a threat directed towards myself or a member of my immediate family.

(3) It is my understanding that the Secret Service, pursuant to Title 18, United States Code, Section 3056, is empowered to investigate threatening communications heretofore described. It is my further understanding that my express consent may be withdrawn at any time upon proper notification to the Director of the Secret Service.

  
JIMMY CARTER

9-28-78  
(Date)

THE WHITE HOUSE  
WASHINGTON

September 28, 1978

IMPORTANT

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *f.m./pd*

Prior to your 4:00 o'clock press conference today, you should call the Speaker and Majority Leader Byrd to inform them of the actions you intend to take and the comments you intend to make concerning the rail strike, particularly regarding legislation.

Electrostatic Copy Made  
for Preservation Purposes

THE WHITE HOUSE  
WASHINGTON

September 27, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Jerry Rafshoon  
SUBJECT: Rail Strike



I don't know the details of the issues involved in the rail strike. Therefore, this memo does not pertain to the substance of that dispute.

Whatever you decide to do, however, should be done quickly and firmly. With the upcoming round of very difficult contract negotiations in other industries (which are going to be made more difficult by your new guidelines) we are probably going to face many strike situations in the near future. Business, labor and the American people should know that, when the interest of the public is involved, you are going to step in and act firmly.

I'm not suggesting that you meddle in very delicate negotiations unnecessarily. But when negotiations break down or illegal strikes occur or the law allows for government involvement (such as appointment of an emergency board) or the public interest is threatened, you should act without regard to political or interest group considerations.

9:20 AM

THE WHITE HOUSE

WASHINGTON

MEETING WITH ERIC SANDSTROM

New Commander of the VFW

Thursday, September 28, 1978

9:20 a.m.

The Oval Office

FROM: ANNE WEXLER *Anne*

I. PURPOSE

To greet Eric Sandstrom, the new Commander-in-Chief of the Veterans of Foreign Wars, and photo opportunity.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

- A. Background: Traditionally, the new commanders of the major veterans organizations have met briefly with the President shortly after being elected. Although not done last year, Max Cleland has suggested that we reinstate these meetings. This is the first of four or five of these brief photo sessions on which we are working with Fran Voorde.

Eric G. Sandstrom, of Tacoma, Washington, was elected Commander-in-Chief of the Veterans of Foreign Wars of the United States on August 25, 1978, at the Organization's 79th Annual National Convention in Dallas, Texas. A brief biography is attached. Mr. Sandstrom is in Washington for briefings with Max Cleland.

Of the major veterans' organizations, the VFW is the most conservative on social issues, although probably the most liberal on veteran benefit levels. At its last meeting the VFW opened its membership to women veterans. It is generally the most pro-military "hard-line" foreign policy veterans' organization.

Mr. Sandstrom sent a telegram stating VFW support for your efforts at Camp David (copy attached). He spent two weeks during 1977 visiting Middle Eastern countries.

For Preservation Purposes

- B. Participants: Eric G. Sandstrom; Cooper Holt, Executive Director of the VFW; Max Cleland, and Anne Wexler.
- C. Press Plan: No outside press; White House photographer.

III. MATTERS WHICH MIGHT BE MENTIONED TO MR. SANDSTROM

1. Mr. Sandstrom should be congratulated on his election and on the opening of the VFW to women veterans.
2. Mr. Sandstrom should be thanked for his telegram of support of your efforts at Camp David.
3. You should express to Mr. Sandstrom our desire to work together on issues of interest to the VFW; that you know Anne Wexler, her staff, and Max Cleland will be working with him and Cooper Holt.

Attachment: Additional briefing materials from Max Cleland

## BIOGRAPHY

Mr. Sandstrom is a native of Mankato, Minnesota. He is a former United States Marine who saw combat in the Pacific during World War II. He is the holder of the Silver Star and was twice awarded the Purple Heart for wounds suffered while serving with the 21st Regiment of the Third Marine Division in the Pacific. He saw action at Guadalcanal, Bouganville, Guam, and Iwo Jima.

Mr. Sandstrom and his wife, the former Allie W. Levan of Prescott, Washington, have five grown children. He is a member of the Hope Lutheran Church. During December 1977, Mr. Sandstrom spent two weeks visiting Middle Eastern countries.

Mr. Sandstrom has held national VFW positions since 1968.

WU INFOMASTER

VFW HQTRS WSH

013993C263 1131EST

001 WASHINGTON, D. C. SEPTEMBER 20, 1978

ZIP

THE PRESIDENT

THE WHITE HOUSE

WASHINGTON, D. C. 20500

YOUR HIGH STAKES GAMBLE FOR PEACE AT CAMP DAVID HAS ACHIEVED IMPORTANT AND PROMISING RESULTS.

THERE ARE, AS YOU CAREFULLY NOTE, PROBLEMS AND PITFALLS AHEAD, BUT BY YOUR PERSISTENCE AND SENSITIVITY AT CAMP DAVID, THE DRIFT TOWARDS INACTION AND MUTUAL RECRIMINATION HAS BEEN HALTED.

THE VETERANS OF FOREIGN WARS OF THE UNITED STATES WILL SUPPORT THE BREAKTHROUGH FOR A NEGOTIATED SETTLEMENT YOUR MEDIATION HAS MADE POSSIBLE.

ERIC SANDSTROM, COMMANDER-IN-CHIEF  
VETERANS OF FOREIGN WARS OF THE U. S.  
200 MARYLAND AVENUE, N. E.  
WASHINGTON, D. C. 20002  
X

ACCEPTED  
00001

1-PC



VETERANS ADMINISTRATION  
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS  
WASHINGTON, D.C. 20420  
September 25, 1978

MEMORANDUM FOR:

The Honorable  
Jimmy Carter  
The President  
The White House

FROM:

Max Cleland  
The Administrator of Veterans Affairs

SERVICE ORGANIZATION BRIEFING - VFW

You will be meeting Eric Sandstrom, Commander-in-Chief of the Veterans of Foreign Wars (VFW). He will be accompanied by Cooper Holt, Executive Director.

The VFW was created in 1913-14 by the merger of three national societies of overseas war veterans that were founded shortly after the close of the Spanish American War in 1899. The organization received its congressional charter in 1936.

Membership has been restricted to "any male officer or enlisted man, or any honorably discharged male officer or enlisted man, who is a citizen of the U.S.A. and has served in the military or naval service in a combat zone." At their convention this summer the VFW opened the membership to women veterans due largely to the efforts of Mr. Holt and an increasing awareness of possible adverse governmental action revoking its special privileges.

The basic aims of the VFW are as follows: "to insure the national security through maximum strength; to speed the rehabilitation of the Nation's disabled and needy veterans; to assist their dependents; and to promote their Americanism by means of education in patriotism and by constructive service to individual communities."

Of the major veterans' organizations, the VFW is the most right wing. Its membership which is more blue collar than the American Legion is highly conservative on social issues although it is probably the most liberal on veteran benefit levels. The VFW is generally the most pro-military, "hard line" foreign policy veterans' organization as well.

The VFW's "gripes" with the Carter Administration include: omission of the veterans' inaugural ball; the immediate action regarding draft resisters; the Panama Canal; the proposed modifications of veterans' preference and VA hospital bed/staff cuts.

Their current membership stands at about 1,800,000 (includes 500,000 Vietnam veterans) plus the Ladies Auxiliary with 650,000 members. The VFW also supports a nationwide youth program in which about 5 million participate.

8:58 AM

THE WHITE HOUSE

WASHINGTON

September 27, 1978

MEETING WITH JOHN MARINO, CONGRESSIONAL CANDIDATE (10-MA)

Thursday, September 28, 1978

8:58 a.m. (2 minutes)

The Oval Office

From: Frank Moore *F.M./ro*

I) PURPOSE

A photo with the President

II) BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background: John Marino is the Democratic candidate for Congress in the 10th District of Massachusetts. Marino, a 40 year old electrical engineer, will challenge 12 year incumbent Margaret Heckler. For two and one half years Marino served as Massachusetts Commissioner of Commerce and Development. The district is south of Boston and liberal. George McGovern won in 1972. In 1976 you carried this district with 56% of the vote. Marino, who won his primary with 51.1% on September 19, feels that the district has the votes to elect a Democrat. He will face an uphill battle against the popular and liberal Heckler.

B. Participants: The President, Frank Moore and John Marino

C. Press Plan: White House photographer.

III) TALKING POINTS

A. Usual courtesies

Electronic Copy Made  
for Preservation Purposes

9:00 AM

THE WHITE HOUSE

WASHINGTON

September 27, 1978

MEMORANDUM FOR:

THE PRESIDENT

FROM:

FRANK MOORE  
STU EIZENSTAT *Stu*

SUBJECT:

Airline deregulation and noise  
meeting with Senator Cannon and  
Congressmen Johnson and Anderson

Chairmen Bizz Johnson and Howard Cannon, and Congressman Glenn Anderson have requested this meeting to discuss airline deregulation and to obtain your commitment to sign an airline noise bill. Although Chairman Cannon has appointed conferees to an airline deregulation conference, both he and Bizz Johnson have agreed not to begin a conference until they get your commitment to sign the noise bill.

We and Secretary Adams strongly recommend that you: (1) agree to sign an acceptable compromise noise bill; and in exchange (2) request a commitment that they complete a deregulation conference next week without waiting for the noise bill. The noise bill has not passed the Senate and is very controversial there. It is extremely important that the two bills not be tied together. Senator Cannon's staff has told us that Cannon will agree to finish a deregulation only conference without delay in exchange for your commitment to sign a noise bill. We also recommend that you press for a strong competitive deregulation bill in exchange for your commitment. Cannon will also be supportive on this point.

OMB, CEA and COWPS recommend that you refuse to sign a noise bill, and veto it if it comes to your desk. OMB opposes all three titles; CEA and COWPS oppose title III. Their reasons are set forth below.

This is a crucial meeting for airline deregulation. Unless we can reach some agreement on the noise bill, especially with the House, it will be very difficult to get a final deregulation bill. Johnson told the press last week that the noise bill, not deregulation, is the House priority. You will recall that last January Bizz Johnson committed to you that he would support airline deregulation, and there was no deal made on the noise bill.

## Aircraft Noise Bill

The noise bill has passed the House. Senator Cannon's noise bill which is quite different has cleared the Commerce Committee, and is expected to be reported soon by the Finance Committee. It will be very controversial on the Senate floor, and there may be some difficulty getting it called up, given the existing demands on the Senate calendar.

Although there is disagreement among the agencies as noted below, we recommend that you agree to sign a noise bill that incorporates (1) the Senate version of title I, (which we never opposed), (2) a compromise on title II, and (3) a compromise version of title III.

Title I. Title I of the House bill which we have opposed, has a land acquisition grant program funded at \$150 million in 1979 and \$250 million in 1980 from the existing Airport Trust Fund surplus. We have not opposed the Senate version of title I however because it incorporates our preference for a revolving loan fund rather than grants. OMB (reluctantly) and DOT could accept the Senate version of title I, but they would like the funding level cut \$70 million during 1979-1980.

Title II. Title II in both bills increase funding levels out of the existing \$2 billion surplus in the Trust Fund for the regular airport grant program. We have opposed any funding increases since the Department of Transportation is now engaged in a major review of the Airport Trust Fund which is scheduled to terminate in 1980. OMB believes that we should continue to oppose any additional funding for airport grants. However, Secretary Adams and we recommend that we compromise and agree to some funding increases. Cannon has already brought his figures down at our behest. We prefer the Senate bill, which has lower funding levels, but we would like to go even lower than that if possible. DOT recommends additional airport grants of \$50 million in 1979 and \$150 million in 1980 (which is \$420 million less than the House bill and \$160 million less than the Senate bill).

Title III. We have supported the House version of title III. The House version diverts 2% of the existing 8% ticket tax to a special fund to help airlines meet noise standards. The Senate title III reduces the ticket tax by 2% for 5 years, and directs the CAB to grant a 2% fare increase effective for 1 year. At the end of one year, the

CAB may modify or eliminate the fare increase. OMB, CEA and the Council on Wage and Price Stability would prefer that we change our position and not support any form of Title III. They believe that any federal intervention to help airlines meet noise standards would set a dangerous precedent for federal aid to other industries to meet environmental, health or safety standards. They also believe title III is inflationary because the tax otherwise could be lowered. If we do not change our position on title III, they recommend that we move toward the Senate version.

Secretary Adams and we believe that a compromise version of the House and Senate bills can be developed that accepts the best features of each. We have supported the House version, however, and if they insist upon it, we should probably keep to our position.

#### Airline Deregulation

Both Houses have passed airline deregulation: the Senate vote was 83-9, and the House vote 363-8. Johnson, Cannon and Anderson led the debate favoring the legislation. We recommend that you push them for a strong deregulation bill, if you are agreeing to sign a noise bill.

We also recommend that you state your strong preference for the Senate labor protection provision, which permits the payment of benefits only if there are serious dislocations in the industry directly resulting from airline deregulation. Recent events show that airline employees benefit from airline competition, so the prospects for having to invoke this provision are not great.

SUMMARY AND TALKING POINTS

If you agree to sign a compromise noise bill, its features would have to include:

Title I. The Senate version with a revolving loan fund is acceptable. I prefer that the funding levels be reduced, however, since we will conduct a complete review of the program next year.

#15 mil

Title II. I will change my position and accept Title II. I prefer the Senate version because the funding levels are lower; I would hope that they can go even lower than that.

now \$50M  
'80 \$150M  
\$200M

Title III. I will continue to support Title III, but you should know that I have received strong pressure to reverse my position and to oppose Title III. We have worked very hard in the House for this title, especially in the Ways and Means Committee. We can work together to produce a compromise between the House and Senate bills. (If the House version is ultimately accepted, however, you will sign the bill. Secretary Adams has testified in favor of the House version.)

I will make this commitment to you if you will agree to begin a deregulation conference now, and send me final legislation by next week, without waiting for consideration of the noise bill to be completed. It is very late in the Congress, many of you will be involved in numerous conferences, and it is important that this high priority legislation reach me as soon as possible.

I also expect to receive a bill that incorporates the most competitive provisions possible. I am also very concerned about the labor protection in the bills, and strongly prefer the Senate version.

REP. ANDERSON, Glenn M. (D-32-Calif.)

Committee:

(8) Committee on Merchant Marine and Fisheries

Subcommittees:

Fisheries, Wildlife, Conservation and The Environment  
Merchant Marine  
Oceanography

Committee:

(4) Public Works and Transportation

Subcommittees:

Chairman, Aviation  
Surface Transportation  
Water Resources

Wife: Lee

Administration Support 67.4%

REP. JOHNSON, Harold T. (Bizz) (D-1-Calif.)

Committee:

Chairman, Public Works and Transportation

Wife: Albra

Administration Support 78.6%

SEN. CANNON, Howard W. (D-Nevada)

Committees:

Chairman, Commerce, Science & Transportation

(3) Armed Services

(2) Rules and Administration

(3) Joint Committee on Library

Wife: Dorothy

Administration Support 60.9%

THE WHITE HOUSE  
WASHINGTON

9/28/78

Frank Moore  
Jim McIntyre

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

cc: The Vice President  
Stu Eizenstat

	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION

ACTION

FYI

	ADMIN CONFIDENTIAL
	CONFIDENTIAL
	SECRET
	EYES ONLY

	✓	VICE PRESIDENT
		JORDAN
	✓	EIZENSTAT
		KRAFT
		LIPSHUTZ
✓		MOORE
		POWELL
		RAFSHOON
		WATSON
		WEXLER
		BRZEZINSKI
✓		MCINTYRE
		SCHULTZE
		ADAMS
		ANDRUS
		BELL
		BERGLAND
		BLUMENTHAL
		BROWN
		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
		STRAUSS
		VANCE

	ARAGON
	BUTLER
	H. CARTER
	CLOUGH
	CRUIKSHANK
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HUTCHESON
	LINDER
	MARTIN
	MOE
	PETERSON
	PETTIGREW
	PRESS
	SANDERS
	VOORDE
	WARREN
	WISE

THE WHITE HOUSE  
WASHINGTON

September 27, 1978

MEMORANDUM FOR THE PRESIDENT

FROM:

FRANK MOORE *FM*

Jim McIntyre and I met with Cong. Jim Howard (D-NJ) on the surface transportation bill. Howard realizes that if you veto the bill that time would not permit an override attempt and a continuing resolution will not work because the trust fund authorization expires. He has agreed to meet with OMB and work toward a bottom line. The resolution of this matter will probably involve your meeting with Senate and House conferees at an appropriate time--probably 8 to 10 days from now.

*cc: Jim & Frank -  
ok - our  
bottom line cannot  
deviate detectably  
from the  
Senate figures.  
Watch out year  
costs -  
J*

THE WHITE HOUSE  
WASHINGTON

9/28/78

Tim Kraft  
Frank Moore

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Rick Hutcheson

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VOORDE
WARREN
WISE

THE WHITE HOUSE  
WASHINGTON  
September 27, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *F.M./BR*  
TIM KRAFT *T.K. as*

SUBJECT: CAMPAIGN PHONE CALLS

As a result of yesterday's run-off in Alabama, we recommend that you make four phone calls.

TWO SENATE RACES - THREE CALLS

*done*  
Howell Heflin (205) 381-7060 (campaign headquarters)  
Heflin defeated Congressman Walter Flowers, 65-35%, for the nomination to succeed Senator John Sparkman. A well-respected judge and former Alabama Chief Justice, Heflin ran as a fiscal conservative. His Republican opponent in the general will be former Congressman Jim Martin.

*done*  
Donald Stewart (205) 252-5204 (campaign headquarters)  
Stewart defeated Senator Maryonn Allen, 57%-43%. Allen had been favored to win election to the remaining two years of her husband's term easily. The victory of this relatively unknown liberal state senator from Anniston was a surprise. Stewart's Republican opponent is George Nichols.

*done*  
Maryonn Allen should also be called. (205) 546-4258 home

GOVERNOR'S RACE - ONE CALL

*done*  
Forrest "Fob" James (He uses this nickname) (campaign HQ) (205) 749-3306  
Multimillionaire industrialist James defeated Attorney General Bill Baxley 55%-45% to succeed George Wallace in a virtually assured Democratic victory in the Governor's race in November. The Republican candidate is Gay Hunt.

James, who until two years ago was a member of the Republican state committee and a leading GOP fundraiser, ran a media-oriented campaign using an old school bus as his campaign symbol. He pledged to bring a "new beginning to Alabama." Bill Baxley is the second term state Attorney General who last year successfully prosecuted the Klansman accused of the 1968 church burning in Birmingham. A populist with strong support in the black community, Baxley had the endorsement of Cornelia Wallace and Bear Bryant.

THE WHITE HOUSE  
WASHINGTON

9/28/78

Frank Moore

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handling.

Rick Hutcheson

FOR STAFFING

FOR INFORMATION

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IMMEDIATE TURNAROUND

NO DEADLINE

LAST DAY FOR ACTION

ACTION

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ADMIN CONFIDENTIAL

CONFIDENTIAL

SECRET

EYES ONLY

VICE PRESIDENT

JORDAN

EIZENSTAT

KRAFT

LIPSHUTZ

MOORE

POWELL

RAFSHOON

WATSON

WEXLER

BRZEZINSKI

MCINTYRE

SCHULTZE

ADAMS

ANDRUS

BELL

BERGLAND

BLUMENTHAL

BROWN

CALIFANO

HARRIS

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MARSHALL

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FIRST LADY

GAMMILL

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HUTCHESON

LINDER

MARTIN

MOE

PETERSON

PETTIGREW

PRESS

SANDERS

VOORDE

WARREN

WISE

THE WHITE HOUSE  
WASHINGTON

Q

September 27, 1978

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *fm*

The following items are for your information:

The Speaker will hold the Public Works conference report until next Wednesday. He does not want any votes in the House on Monday or Tuesday because of the Jewish holidays.

I met with Senator Baker today on FEC appointments. He has given me a list which I will run through the White House process. There are several candidates on the list acceptable to the Democrats on the Hill. If they are acceptable to you, it would not be necessary for you to meet with Rhodes and Baker and the John McGarry nomination could be acted on before the Senate adjourns--thus giving us another critical Democratic vote on FEC for their post-election workload.

*Good -  
proceed*

4:45 PM

THE WHITE HOUSE

WASHINGTON

BRIEFING OF RELIGIOUS LEADERS ON URBAN POLICY

Thursday, September 28, 1978

4:45 p.m. (15 minutes)

State Dining Room

FROM: ANNE WEXLER *Anne*

I. PURPOSE

To make brief remarks to a reception for church and lay leaders representing almost every state, faith, and denomination in the United States who have been attending an all-day briefing on the urban policy.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

- A. Background: This all-day briefing on the urban policy has been developed in close cooperation with the National Council of Churches. It provides an opportunity to reach out to a major constituency and to build support for the urban policy among grass roots leaders. It also provides a forum to continue your public identification with the urban policy at a time when the Congress is taking final action on many of our urban legislative initiatives.

When you arrive, the participants will be in a reception in the State Dining Room which will begin at approximately 4:00 p.m. They will have received a series of presentations from Senior Staff and top Administration officials on the overall urban policy and its various components. (See attached Agenda). Briefings in the morning will be at the Department of Interior Auditorium and in the afternoon at the White House. Key speakers include Secretary Harris, Stu Eizenstat, and Jack Watson. The participants will meet on their own during the evening at St. John's Episcopal Church to determine the "churches' strategy for urban policy issues."

- B. Participants: The majority of participants were assembled by the National Council of Churches. They are a good cross-section of clergy and lay leaders representing the major Christian and Jewish sects. There is also good geographical diversity, with most states represented. My office has invited a number of religious leaders to ensure adequate representation by minority and ethnic leaders.

You may wish to publicly recognize the assistance provided by the National Council of Churches in putting this event together.

- C. Press Plan: The entire briefing and reception will be attended by several reporters and photographers from across the nation. There will be no coverage from the White House photo and press pools.

- III. Talking Points: Talking points prepared by Office of Speechwriters are being forwarded under separate cover.

THE WHITE HOUSE  
WASHINGTON  
September 27, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: JIM FALLOWS, DENNIS FITZGIBBONS *Jim* *DF*

SUBJECT: Dropby at Reception for 250 Religious Leaders -  
Talking Points

1) I would like to thank you, and the National Council of Churches, for taking the time to come here and join us in working to improve America's cities. I realize that you've had a very full day, and that you've been fully briefed on the various aspects of our urban policy by Pat Harris, Stu Eizenstat, and the rest of the Executive Branch, so I'll keep my sermon short.

2) Your coming here is part of the tradition of social and political involvement exemplified by the National Council of Churches, whether in the field of civil rights or social service. In the neighborhoods of our cities, the church has always occupied a central position in providing essential leadership and services.

You've heard a lot about the New Partnership today, and I want to remind you that it's not just a partnership between the public and private sectors, or between federal, state, and local governments.

We've learned from past programs that our cities can't be revitalized by governments or business alone. The New Partnership has to include our most valuable natural resource: the commitment of our citizens. We must, and should, draw on the sense of community and voluntary effort, and on the loyalty and affection that Americans feel for their neighborhoods.

If the Urban Volunteer Corps is to succeed, we're going to need selfless individuals willing to undertake projects from patient care to beautification.

To make the Self-Help Development program work, we're going to need people willing to roll up their sleeves and dig in at that run-down block, or that dilapidated house.

If we want to stop crime on the streets of our cities we need people who care about their neighbors and their communities. If we want to keep our neighborhoods from deteriorating, and keep them financially sound, we need local credit unions to serve residents of urban communities.

3) And your commitment shouldn't stop at the neighborhood level. I'm sure you realize that. What you've seen today is part of a general effort to take control of the problems facing us.

Earlier today you heard about our efforts to create more jobs in the cities which most urgently need them through public works programs, employment tax credits, the location of federal facilities, and federal purchasing practices. The job picture is brighter now -- six million more Americans are working today than when I was elected -- but there is still progress to be made.

Those gains are threatened by inflation. Just as revitalizing our cities will require close cooperation, so will controlling inflation. Halting inflation is going to require sacrifices on everyone's part. For our part, we've held pay increases down and we've put a freeze on federal executive's salaries. Those are tough sacrifices, but we think they're fair, and an example for everyone -- business, labor -- to follow.

An energy program is essential to halting inflation. Our dependence on foreign oil weakens our national security and undermines confidence in the dollar. It's the biggest problem we face.

We need your help there, and everywhere else you'd like to lend a hand.

# # #

WHITE HOUSE BRIEFING ON THE PRESIDENT'S  
URBAN POLICY

RELIGIOUS LEADERS/NATIONAL COUNCIL OF CHURCHES

September 28, 1978

MORNING -- Department of Interior Auditorium

9:00 A.M.           Registration

9:30 A.M.           Welcome and Introduction to the Briefing  
Anne Wexler, Assistant to the President

9:45 A.M.           The Church and Urban Issues

10:00 A.M.          The President's Urban Policy: An Overview  
Stuart Eizenstat, Assistant to the President

10:20 A.M.          Economic Development & Employment  
Roger Altman, Assistant Secretary, Treasury  
Vic Hausner, Deputy Assistant Secretary, Commerce  
Bill Hewitt, Office of Planning & Evaluation, Labor  
Marshall Kaplan, Deputy Assistant Secretary, HUD

11:00 A.M.          Coffee Break

11:15 A.M.          Quality of Urban Life  
Anthony Freedman, Office of Assistant Secretary for  
Housing, HUD  
Sue Foster, Deputy Under Secretary, HEW  
Bob Mendelsohn, Assistant to the Secretary, Interior  
John Robinson, Office of Assistant Administrator, EPA

12:00 NOON          Implementing the Urban Policy  
Jack Watson, Assistant to the President

12:20 P.M.          Recess for Lunch

AFTERNOON -- White House, East Room

2:30 P.M.        The Urban Agenda

Secretary Patricia Roberts Harris

2:40 P.M.        Neighborhood and Volunteer Programs

Geno Baroni, Assistant Secretary, HUD

Sam Brown, Director, ACTION

Graciela Olivarez, Director, Community Services  
Administration

3:30             Questions and Answers: Overall Urban Policy

Jane D. Hartley, White House

Marshall Kaplan, HUD

Bruce Kirchenbaun, White House

Ralph Schlosstein, Domestic Policy Staff

3:50 P.M.        Closing Remarks

Anne Wexler, Assistant to the President

4:00 P.M.        Reception -- State Dining Room

4:45 P.M.        President Carter (Drop-By)

5:00 P.M.        Recess

EVENING -- St. John's Episcopal Church

7:00 P.M.        The Churches' Strategy for Urban Policy Issues

9:30 P.M.        Adjourn

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

FOR THE PRESIDENT

FROM GRETCHEN POSTON *GP*

DATE: 26 September 1978

SUBJECT: BRIEFING/RECEPTION FOR RELIGIOUS LEADERS RE  
URBAN POLICY  
28 September 1978

This group will have been meeting at the Interior Department in the morning. Following lunch, they will come to the White House to complete the briefing, and for a reception. The activity at the White House is as follows:

2:00 P.M. Guests arrive Southwest Gate, and proceed to State floor for seating in the East Room.

Briefing reconvenes.

4:00 P.M. Conclusion of briefing. Guests depart East Room for refreshments on State floor.

(Pianist in Main Hall.)

4:45 P.M. The PRESIDENT arrives State floor and proceeds to podium in East Room.

The PRESIDENT'S welcoming remarks.

5:00 P.M. The PRESIDENT departs East Room and State floor.

All guests depart Residence.

NOTE: A drop-by by the Vice President has been indicated, although the time for the visit had not been established at the time of writing.

"LET US NOT DELUDE OURSELVES. I HAVE NO DOUBT THAT WHEN WE ENTER INTO DELIBERATIONS WITH THE OTHER THREE PARTIES CONCERNING WHAT IS TO HAPPEN IN THE AREA IN THE FIVE YEARS OF TRANSITION, THIS QUESTION WILL COME UP AND WILL BE DISCUSSED AND AGREEMENT WILL HAVE TO BE REACHED ON THIS SUBJECT."

--STATEMENT OF DAYAN, 9/19/78  
PRESS CONFERENCE/BEN GURION AIRPORT

news conference 9/28/78

Courageous Action - 2  
Knesset & Sadat, Begin  
→ True peace

Called Begin, Sadat  
No remaining obstacle  
to peace negotiations

---

US Senate - Byrd/Jackson  
Natural gas - Consumers,  
producers - cut oil  
imports

---

Emergency Board

THE WHITE HOUSE  
WASHINGTON

9/28/78

Frank Moore

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

THE WHITE HOUSE  
WASHINGTON

MR. PRESIDENT:

The attached eight quick  
calls can be made over the  
next two days.

Frank Moore

THE WHITE HOUSE  
WASHINGTON

September 27, 1978

*Frank -  
done - call in  
for Jackson  
J*

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *F.m.*  
SUBJECT: SUGGESTED TELEPHONE CALLS TO THANK  
SENATORS ON NATURAL GAS

Since the natural gas bill has been pronounced dead five or six times in the last year only to be revived at critical junctures with the help of key members of Congress, I suggest that you personally call the following Senators to thank them for their help.

Robert C. Byrd

As you know Senator Byrd has virtually single-handedly pushed this bill through the Senate. He accomplished what most people felt was the impossible--winning against Russell Long, Ted Kennedy and Howard Baker. *Done*

Scoop Jackson (D-Wash)

Senator Jackson's perseverance and hard work provided the glue which held the Senate conferees together and made the compromise possible. He has had to change his voting pattern on the natural gas issue to accommodate the compromise. *Done*

Alan Cranston (D-Calif)

Senator Cranston voted for and worked other Senators in behalf of the conference report despite tremendous constituent pressure the other way. He has been criticized for his lack of leadership on some other tough issues. I believe that recognition of his support and willingness to work is important. *done*

Pete Domenici (R-N.Mex)

He and Senator McClure were the backbone of Republican support for this bill. The Senator is a strong believer in total and immediate deregulation but recognizes the need for a bill. He has been responsible for several Republican votes.

*Praise  
Bill in  
Press conference*

Ed Muskie (D-Maine)

Senator Muskie's announcement of support and hard work on behalf of the compromise opened the door to liberal support and was the break through we needed in order to prevail in the Senate.

*done* *Concerned  
NEPA is  
Ex Im*

Jim Pearson (R-Kans)

He quietly worked both Republicans and Democrats in support of the compromise. His role was vital because of the respect he enjoys from his colleagues and his sponsorship of the Pearson-Bentsen deregulation bill last year. He deserves a special thanks.

*done*

Dale Bumpers (D-Ark)

A reluctant supporter after the Clinch River controversy, the Senator gave the finest speech on the issue delivered on the Senate floor. He was helpful in delivering other Senators, such as Gary Hart and John Glenn.

*done - will send  
Ark. together  
Demo Convention*

Lloyd Bentsen (D-Texas)

Senator Bentsen felt compelled to oppose this bill because of Texas politics. However, he has not only kept his head down, but he has also told other Senators that he would support the compromise but for his home state problems. I cannot over-emphasize the importance of his actions.

*done*

Wendell Ford (D-Ky)

He has been the most active debater in support of the compromise on the Senate floor. He has also talked with numerous Senators to urge their support. The Senator truly deserves a pat on the back for his efforts.

*done*

Howard Metzenbaum (D-Ohio) optional

Senator Metzenbaum has been the most outspoken opponent of the natural gas bill, and he genuinely believes that this measure is not in the interest of the country. He has kept his rhetoric surprisingly low-key. We might find it useful to call him and say that it was regrettable that we had to be on opposite sides of this issue, but we appreciate the strong support on most other matters and are hopeful that we can continue to work together on those issues.

*Done -  
Interrupted  
by call  
to begin*

THE WHITE HOUSE  
WASHINGTON

Mr. P. —

you might want to  
use this idea at the  
editor's briefing.

I didn't give it yesterday  
because there was so much  
else.

Jerry

THE WHITE HOUSE  
WASHINGTON  
September 28, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: JIM FALLOWS, JERRY DOOLITTLE *JK* *WAP*

SUBJECT: ~~Talking Points for September 28 Press Conference~~

You might consider taking a copy of <sup>yesterday's</sup> ~~today's~~ Washington Post (marked copy attached) to the press conference, in case a question bearing on GSA, government ethics, lack of public trust in government, etc., should be asked. Here are the points that can be made, based on today's paper:

1. The paper has a total of 13 articles about government waste, unfairness, fraud, giveaways of tax money, bribery, or abuse of the public trust. Some of these are still in the accusation stage, but the whole picture is nevertheless disgusting.
2. Altogether the amounts involved total more than 2.5 billion dollars -- money misspent or spent needlessly, cost overruns, contracts procured by alleged bribes, fraud or collusion. Nothing can destroy the fabric of our government faster than the knowledge that our tax dollars are being stolen or wasted.
3. I am determined to stamp out the sort of waste of tax dollars that can occur when government officials are subjected to financial pressures by wealthy special interests. There is another sort of article in today's paper as well -- on

my Ethics in Government bill, which the House passed yesterday by an overwhelming vote.

4. That bill requires fuller financial disclosure by high government officials, and it will also slow the revolving door through which too many officials now leave government and reappear in areas of the private sector with which they formerly did business. One of today's stories is about just such an official. (Note: former GSA chief Arthur Sampson, who now works for a developer with whom he had extensive dealings while running GSA.)

5. Even today's Art Buchwald column is about dishonesty and abuse of the public trust by government officials -- in this case the GSA. I pledge that I will do everything in my power to clean up the mess I inherited in the General Services Administration. You have my word that those responsible will be disciplined, fired, or jailed.

6. The major part of the \$2.5 billion figure I cited a moment ago is taken from an article on Senate approval of the public works appropriations bill -- which would add \$1.8 billion worth of dubious water projects to the thrifty and rational public works program I originally proposed.

(Here add any hint or promise of veto, as you think appropriate.)

9:15 AM

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

Work Senate - floor vote

Amend -  
Cap Gains - 50%  
Entire Amendment

September 27, 1978

Q

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze *CLS*

Subject: The Tax Bill

Mike Blumenthal's memo on the status of the tax bill outlines the major developments in the Senate, and asks for guidance on a number of points.

The difficult choice will come if we get a final bill that has come some way in meeting our objectives. About the most favorable outcomes we could realistically expect would be the following:

- o The 1979 revenue loss is held to acceptable levels (\$20 billion on a full year basis and \$15 billion in the 1979 fiscal year).
- o No large additional tax reductions are included for later years.
- o Capital gains taxes are reduced by excluding 60 (not 70) percent of gains from taxable income.
- o The total net reduction in capital gains taxes is around \$2-1/2 billion.
- o A significant alternative tax along the current Senate Finance Committee lines is adopted.
- o The earned income tax credit is expanded, as tentatively planned by the Finance Committee, and the rate cuts are more favorable to middle and lower-middle income families.
- o A few modest reforms are included, as spelled out in the Blumenthal memo.
- o The effective date of the carryover basis for taxing capital gains to heirs is not postponed. (The Finance Committee has voted to postpone it for three years.)

*Eliminate giveaway amendments*

Electrostatic Copy Made  
for Preservation Purposes

79  
7480

What would be the likely consequences of signing or vetoing such a bill?

1. Overall economic impact

The economy will need a tax cut in the \$15 to \$20 billion range in 1979. With a \$20 billion tax cut, we are currently forecasting GNP growth of about 3 percent in 1979, and a slight upcreep in unemployment. Without the tax cut, economic growth would slow still further, to perhaps 2 to 2-1/4 percent in 1979, and unemployment could well exceed 6-1/2 percent by year end.

If a veto were followed immediately, or in a post-election special session, by passage of an acceptable tax bill with a \$15 or \$20 billion tax cut, this would satisfy the economic need for an early 1979 tax cut.

If no tax bill were passed this year and we submitted a new bill next year, it might well be July before such a bill could be effective. In that case, the economy would be very sluggish in the first half of 1979. We would probably not tip into recession, and economic growth should begin to speed up shortly after the tax bill became effective. But we would be running the risk of an excessively large slowdown.

In summary, whatever our strategy, we badly need to have a tax cut in 1979, and it is highly desirable to have it effective very early in the year. (In any event, it is essential that we have an extension of the \$8 billion in temporary tax cuts which expire at the end of this year. Otherwise taxes in 1979 would increase.)

2. Could we use the revenues to better purposes?

There has been some argument that a veto of the tax bill would free up \$15 to \$20 billion in revenue losses that could then be used in a better way for tax cuts with anti-inflationary characteristics. On substantive grounds this has some merit.

Using about \$4 to \$6 billion in FY 1979 to postpone the social security tax increases contained in the 1977 legislation would directly reduce inflation by 0.2 percent in 1979; using \$10 billion for an even deeper cut in social security taxes would give us 0.4 percent lower inflation. Alternatively the money could be used as a form of revenue

sharing, tied to reductions in state sales or property taxes, which would also reduce the CPI. Finally, some form of tax cut incentive for wage moderation might be designed between now and January to help hold down costs and prices.

From a practical standpoint, however, these alternatives may be difficult to achieve if a tax bill is vetoed.

- o To veto a tax bill, and suddenly offer not a modified version of the vetoed bill but a new social security cut -- after opposing such a cut all this year -- would be extremely hard to explain and defend, and would particularly alienate those House members whom we opposed when they urged a social security cut earlier this year.
- o To introduce novel and untried ideas about property and sales tax reductions or a TIP program in the last few days of the session, or in a post-election rump session would, I think, be fruitless.
- o Hence, the only way to "save" some of the revenues for use next year would be: (i) to veto the bill; (ii) submit a scaled-down version immediately (e.g. \$8 billion personal cuts and \$3 billion business cuts); and (iii) explain that we planned to submit legislation in January for additional anti-inflationary tax measures. In my judgment, this latter course would also be difficult (although perhaps not impossible) to defend, since we have not laid the groundwork for it.

In summary, vetoing the tax bill as a means of finding revenues for some form or other of an anti-inflationary tax cut next year would be very difficult to bring off, given problems of timing and our public stance to date.

3. How bad (or good) is the "most favorable" outcome described earlier?

A. Overall Distribution of the Tax Cuts

The House bill cuts taxes roughly proportionately; each broad income group receives approximately the same percentage cut. Since income taxes are a higher

share of income for upper income groups than for lower, the House bill raises the after-tax income of the upper income groups by a larger percentage than the income of lower income groups.

For groups with income above \$10,000 the Senate Finance bill (with a 60 percent exclusion for capital gains) would accomplish about the same result. The expansion of the earned income tax credit, however, directs additional cuts principally to those below \$10,000, and thus is more progressive at the bottom end of the income scale than the House bill. Since the overall size of the Senate cut is larger, it also puts more absolute dollars of the tax cut in the \$15 to \$30 thousand group, who are particularly affected by the 1979 social security wage base increase.

Both bills are substantially less progressive than the proposal we sent to the Congress in January. For example, 11 percent of the tax cuts in both the House and Senate bills (modified to 60 percent exclusion) go to taxpayers above \$100,000; your original proposal would have raised the taxes of this high income group.

#### B. Capital gains

The House bill cut capital gains taxes by \$1.6 billion. With a 60 percent exclusion, and the alternative tax described in the Blumenthal memo, the Senate would cut capital gains taxes by \$2.7 billion.

- o The Senate cut is spread more broadly across various income groups of capital gains recipients.
- o But capital gains recipients tend generally to be in the upper income brackets. The larger size of the Senate capital gains tax cut offsets its broader distribution, so that the overall impact of the Senate capital gains cut on income distribution is not much different from the House.

The Senate bill (at 60 percent) eliminates two of the most important defects of the House bill:

- o It eliminates the Archer amendment which would lead to very large cuts in capital gains taxes in future years, and would introduce indexing into the tax system.

- o It does contain a fairly strong alternative minimum tax that will limit the number of high-income taxpayers who escape with little or no tax.

The stimulus to business investment, per dollar of tax cut, is much less for capital gains tax reductions than it is for the corporate rate cut and ITC liberalization that we proposed. The principal reason is that about 50 percent of capital gains are realized on transfers of assets that have little or nothing to do with productivity-raising investments -- e.g., real estate speculation, commodity futures, livestock, timber, art objects, etc.

What the House and Senate have done is to trade off some of the business tax cuts which are more effective at raising investment for capital gains cuts which are less effective. (The Senate may try to have its cake and eat it, by putting some of the foregone corporate rate cuts into later years.)

From the standpoint of investment stimulation, the capital gains cut is relatively wasteful and from an income distribution standpoint it is regressive.

On the other side of the coin, I believe that the sentiment in the Congress is such that any tax bill will have to have some capital gains cuts in it in order to pass. Hence, in proposing to the Congress, as part of a veto message, the minimum changes you would require in order to accept a bill, I think you would have to agree to some sort of capital gains cut.

In summary

- o I do not think you can veto the bill on grounds that we don't need a tax cut, or that we can use part of the funds in 1979 for an anti-inflation tax cut. You would have to veto on other grounds.
- o I think you will have to give something on capital gains. Hence, a principal thrust of the veto would have to be that the enacted capital gains cut was too large, not that any capital gains cut is unacceptable. This makes it a difficult call.

4. Final Note

All of the above is based on the toughest case -- i.e., what to do about a bill that has the "most favorable" characteristics outlined at the beginning of the memo. Should the conference turn out a bill that fails to meet those characteristics, I think a veto would then clearly be called for.

	<u>7 7 9</u>	<u>7 8 0</u>	<u>7 8 1</u>	
		20 <sup>2</sup>	24 <sup>0</sup>	(Final)
Admin	13 <sup>6</sup>	17 <sup>0</sup>	20 <sup>8</sup>	
House	9 <sup>4</sup>	25 <sup>7</sup>	30 <sup>8</sup>	
Sen	11 <sup>9</sup>	<u>5 <sup>5</sup></u>	<u>6 <sup>8</sup></u>	

Elim ADR 20 → 30 %  
Cap Gains 70 % → 50 % ?

Minimum Tax House version better  
much better @ 50-60 % Exclusion  
should split

Postponed Carry over/inheritance  
Woodworth Conference only chance  
Captains @ death = Ste important

Electrostatic Copy Made  
for Preservation Purposes



THE WHITE HOUSE  
WASHINGTON  
September 27, 1978

Secretary Blumenthal

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

cc: Stu Eizenstat  
Jim McIntyre  
Charlie Schultze

STATUS OF TAX BILL

THE WHITE HOUSE  
WASHINGTON

9/25/78

Mr. President:

No comment from Schultze,  
other than to concur with  
Stu's suggestion that a  
meeting be held.

Rick



THE SECRETARY OF THE TREASURY  
WASHINGTON 20220

September 20, 1978

cc  
Mike  
J

MEMORANDUM FOR THE PRESIDENT

From: W. Michael Blumenthal

Mike

Subject: Status of the Tax Bill

Based on our analysis of the major weaknesses in the House-passed tax bill, and on discussions with your economic advisers, I made the following points in my testimony before the Senate Finance Committee:

1. The size of the House tax cut is about right. ✓
2. Personal tax relief should be more progressive; i.e. ✓  
greater cuts should be made for taxpayers below \$50,000.
3. If capital gains taxes are to be cut the cuts should be more equitable, more efficient and less costly than in the House bill. In particular, a more effective minimum tax should be enacted, to mitigate the sheltering of large capital gains from taxation. ✓  
The Archer amendment for inflation adjustments should be eliminated.
4. The bill should contain additional tax reforms. ✓

These positions reflected your public statements on the bill and the public posture that Stu and I adopted after the House floor vote.

Since testifying I have worked closely with Russell Long and other Committee members to influence the shape of their bill along the above lines. I have been telling all members that, unless substantial improvements are made in the House product, your acceptance of a tax bill is questionable.

## Evolution of the bill in the Senate

What the Finance Committee will come up with remains uncertain. In some important respects, the members are responding to our indications of needed changes. In other areas, we may well be faced with additional negative developments.

So far as we can tell at this point, the Committee seems to be heading in the following directions:

### 1. Size of the tax cut

The Congressional Budget Resolution -- still in Conference -- will probably permit the Finance Committee to add about \$2 billion to the House bill's FY 1979 revenue loss of \$10.1 billion. As the House bill was substantially below our requested revenue loss for FY 1979 (14.0 billion),\* the final bill will probably not cause us budget problems for FY 1979. However, the Finance Committee is busy loading the bill with delayed tax cuts, having a substantial impact in FY 1980 and beyond. Some of these cuts would begin late in 1979, pushing the revenue loss for calendar 1979 beyond our proposal by perhaps \$4 billion.

I am taking the position that these extra cuts beyond FY 1979 are unacceptable, since they would limit your freedom of action in future budgets. I think this is a critical point and believe we should remain very firm that additional out year cuts cannot be tolerated.

### 2. Progressivity of the tax cut

The Finance Committee appears to be responsive to our insistence on improving the progressivity of the cuts for individuals. The Committee plans to increase the earned income tax credit (whose benefits flow solely to low income persons) and to deepen the House rate cuts between

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\*/ The reason for this is that your program contains a retroactive investment credit for structures which would have a major nonrecurring impact on FY 1979 receipts, and the House bill contains major capital gains cuts which would have little impact on FY 1979 receipts.

\$10,000 and 50,000 of income. Table 1 shows how these changes would improve the distribution of the individual cuts, abstracting from the impact of capital gains tax cuts.

When capital gains are taken into account, however, the picture is somewhat different. The Senate is likely to increase (and rearrange) the capital gains tax cuts in the House bill. Since capital gains are concentrated in the higher income groups, this would work against greater progressivity. Table 2 compares the distribution of relief in possible Senate tax cuts with the distribution of the House cut, taking into account both regular taxes and capital gains taxes.

Chairman Long wishes the tax cut to offset the 1978 and 1979 Social Security tax increases and one year of inflation induced income tax increases. Table 3 shows the tax cut from a likely final bill including capital gains cut and net of Social Security and inflation-caused tax increases.

### 3. Capital gains tax cuts

The Senate Committee seems likely to respond favorably to two of our requests:

- a. elimination of the Archer amendment of inflation adjustments;
- b. a more effective minimum tax approach, to mitigate the sheltering of large capital gains.

Table 4 shows the improvement in distribution of capital gains relief brought about by the kind of minimum tax under discussion in the Senate. This kind of minimum tax would remove the chief inequity (i.e. virtual tax avoidance by some very high income taxpayers) that you have strongly criticized in reacting to the House bill. We should remain firm that any capital gains cut without a realistic minimum tax would be unacceptable.

On the capital gains cuts themselves, the Senate Committee has not yet acted, but is likely to go beyond the House -- linking adoption of a strong minimum tax to an increase in the exclusion of capital gains from regular tax from 50% (current law and the House) to either 65% or 70%. This would reduce the top tax rate on capital gains from 35%

in the House bill to either 24.5% or 21%. I have opposed this, and in my judgment the Senate will likely agree in Conference to a 60% exclusion, i.e. to a top rate of 28% on capital gains. At the same time, the Senate will seek to pare down the special capital gains tax exemption for homeowners from \$100,000 of gain to \$50,000 of gain, limited to taxpayers over 55 years of age.

Table 5 shows the revenue loss of the Senate capital gains package with alternatively a 70% or 60% exclusion, relative to the House package. (Many Senators would object, however, to these revenue loss figures, arguing that lower capital gains tax rates will so increase the realization of gains as to offset most, if not all, of the revenue loss.)

#### 4. Tax reforms

We are unlikely to get reforms other than those in the House bill (which are itemized in Table 6). We are attempting to secure the elimination of yachts and hunting lodges as business expense deductions -- which would have at least some symbolic significance. For this, we have lined up some sponsors, and we have a fair chance to succeed.

#### Issues

It is obviously too early to make a final decision on the bill, but I need your guidance for the final negotiations in the Senate and in Conference.

##### 1. Shall I continue indicating that

- . Loading tax cuts in the out years is unacceptable? *yes*
- . We strongly favor greater progressivity than the House bill? *Help low and middle income families. yes*
- . We need a strong minimum tax? *genuinely yes*
- . Further reforms would enhance the bill's acceptability? *avoid Senate added loopholes yes*

2. If the Congress accommodates us on the above points, what should be our posture with respect to capital gains cuts? In particular, in the context of such improvements, would we entertain a top rate of 28% on capital gains (i.e. a 60% exclusion)? This is likely to be the best we can do and to be the major issue before you as the bill goes down to the wire. *no more*

Table 1

## Individual Provisions Other Than Those Affecting Capital Gains

## House Tax Bill and Possible Senate Bill

(1978 Levels of Income)

Expanded income class (\$000)	House bill		Possible Senate bill	
	Tax	Percentage	Tax	Percentage
	change	distribution	change	distribution
	( \$ millions )	( percent )	( \$ millions )	( percent )
Less than 5	-82	0.9%	-229	1.8%
5 - 10	-430	4.7	-2,084	16.4
10 - 15	-817	9.0	-1,191	9.4
15 - 20	-1,289	14.2	-1,662	13.1
20 - 30	-2,705	29.7	-3,458	27.3
30 - 50	-2,221	24.4	-2,568	20.2
50 - 100	-1,113	12.2	-1,092	8.6
100 - 200	-326	3.6	-306	2.4
200 and over	-111	1.2	-92	0.7
Total	\$-9,096	100.0%	\$-12,683	100.0%

Office of the Secretary of the Treasury  
Office of Tax Analysis

September 19, 1978

Note: Details may not add to totals due to rounding.

Table 2

House Bill and Possible Senate Bill,  
Including Capital Gains Provisions

(1978 Levels of Income)

Expanded income class	House bill 1/		Possible Senate bill 2/			
			With 70% gains exclusion		With 60% gains exclusion	
	Amount	Percentage distribution:	Amount	Percentage distribution:	Amount	Percentage distribution:
(\$000	(\$ millions)	( percent )	(\$ millions)	( percent )	(\$ millions)	( percent )
Less than 5	-53	0.5%	-242	1.5%	-242	1.6%
5 - 10	-437	4.1	-2,109	13.1	-2,102	13.7
10 - 15	-849	7.9	-1,258	7.8	-1,244	8.1
15 - 20	-1,339	12.5	-1,785	11.0	-1,753	11.4
20 - 30	-2,944	27.4	-3,799	23.5	-3,762	24.4
30 - 50	-2,550	23.7	-3,139	19.4	-3,038	19.7
50 - 100	-1,372	12.8	-1,841	11.4	-1,629	10.6
100 - 200	-507	4.7	-789	4.9	-654	4.2
200 and over	<u>-690</u>	<u>6.4</u>	<u>-1,194</u>	<u>7.4</u>	<u>-965</u>	<u>6.3</u>
Total	\$-10,743	100.0%	\$-16,157	100.0%	\$-15,390	100.0%

Office of the Secretary of the Treasury  
Office of Tax Analysis

September 19, 1978

1/ Excludes capital gains basis adjustment for inflation.

2/ House bill amended to liberalize the earned income credit, to provide additional tax rate reductions, and to substitute a 70 percent (or 60 percent) capital gains exclusion, a graduated alternative tax and repeal of the present law minimum tax for the House bill micro-minim tax and capital gains basis adjustment. Retains House bill treatment of personal residences.

Note: Details may not add to totals due to rounding.

Table 3

Tax Changes In 1979 Due To Inflation, Social Security Tax  
Increases and Possible Senate Tax Bill

(1978 Levels of Income)

(\$ Millions)

Expanded income class	:	Inflation and social security tax increase <u>1/</u>	:	Tax change under possible Senate tax bill <u>2/</u>	:	Net tax change
((\$000)	:		:		:	
Less than 5		234		-242		-8
5 - 10		1,070		-2,102		-1,032
10 - 15		1,195		-1,244		-49
15 - 20		1,607		-1,753		-146
20 - 30		3,466		-3,762		-296
30 - 50		2,813		-3,038		-225
50 - 100		1,162		-1,629		-467
100 - 200		331		-654		-323
200 and over		116		-965		-849
Total		<u>\$11,993</u>		<u>\$-15,390</u>		<u>\$-3,397</u>

Office of the Secretary of the Treasury  
Office of Tax Analysis

September 19, 1978

- 1/ Tax changes resulting from a 7 percent rate of inflation, an increase in the social security tax rate from 6.05 percent to 6.13 percent, and an increase in the social security wage base from \$18,900 to \$22,900.
- 2/ House bill amended to liberalize the earned income credit, to provide additional tax rate reductions, and to substitute a 60 percent capital gains exclusion, a graduated alternative tax and repeal of the present law minimum tax for the House bill micro-mini tax and capital gains basis adjustment. Retains House bill treatment of personal residences.

Note: Details may not add to totals due to rounding.

Table 4  
Possible Capital Gains Provision of a Senate Bill  
(1978 Levels of Income)

(\$ Millions)				
Expanded income class (\$000)	:	Capital gains provisions other than alternate tax 1/	:	Alternate tax
	:		:	Total capital gains provision
Less than 5		-15		2
5 - 10		-27		2
10 - 15		-67		*
15 - 20		-123		*
20 - 30		-343		2
30 - 50		-587		16
50 - 100		-835		86
100 - 200		-712		229
200 and over		-2,222		1,120
Total		<u>\$-4,931</u>		<u>\$1,457</u>
				<u>\$-3,474</u>

Office of the Secretary of the Treasury  
Office of Tax Analysis

September 19, 1978

1/ Includes provision for 70 percent capital gains deduction (50 percent on losses).

\* Less than \$500,000.

Note: Details may not add to totals due to rounding.

Table 5

Comparison of House Bill Provisions Primarily Affecting  
Individual Capital Gains with Possible Senate Bill Provisions

(Calendar Year 1978 Levels of Income)

Provision	: House : bill : 1/	: Possible Senate : amendments : to House bill 2/	: Possible : Senate : Bill
Repeal alternative tax .....	124		124
Delete capital gains from maximum tax .....	-47		-47
Delete capital gains from current law minimum tax ....	-1,158		-1,158
10 Percent tax on excluded gains .....	148	-148	
70 Percent gains exclusion (50 percent loss exclusion)		-3,157	-3,157
Repeal remaining current law minimum tax .....		-265	-265
Alternative minimum tax .....		1,457	1,457
\$100 thousand personal residence exclusion .....	-709	284 3/	-425
Sale of personal residence within 18 months .....	-5	2 3/	-3
Total .....	-1,647	-1,827	-3,474
Addendum:			
Increase in liability if Senate elects 60 percent capital gains exclusion .....		816	816
Revised total .....	-1,647	-1,011	-2,658

Office of the Secretary of the Treasury  
Office of Tax Analysis

September 19, 1978

- 1/ Excludes House bill provision for capital gains basis adjustment.  
 2/ Changes in liability resulting from possible capital gains amendments exclude interaction with noncapital gains provisions of the House bill.  
 3/ Liability change resulting from interaction with the proposed increase in capital gains exclusion rate.

Table 6

TAX REFORMS IN HOUSE BILL

The revenue raised by tax reforms in the House bill would be about \$1.5 billion:

- ° The House accepted the Administration's recommendations that the itemized deductions for gasoline taxes and political contributions be repealed.
- ° As proposed by the Administration, the current tax exclusion for unemployment compensation benefits would be phased out at income levels above \$20,000 for single taxpayers and \$25,000 for married couples.
- ° To restrict use of tax shelters, the bill would adopt the at risk proposals recommended by the Administration and would add a minor portion of our partnership audit proposals.
- ° The medical deduction would be modified by eliminating the separate 1 percent floor for medicines and drugs and the separate deduction for one-half the cost of medical insurance premiums (up to \$150).
- ° The 25 percent alternative tax ceiling on capital gains of high-income individuals would be repealed.



THE WHITE HOUSE

WASHINGTON

September 22, 1978

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT *Sh*  
BOB GINSBURG

SUBJECT:

Secretary Blumenthal's Memo on  
the Status of the Tax Bill

As Mike's excellent memo indicates, the tax bill remains very much in flux:

1. Although Senator Long is apparently trying to make some moves in the direction the Administration prefers, the Committee is also taking steps in the opposite direction. The positive steps are opposed by some members of the Committee and Long may not fully prevail. Bobby Shapiro, Chief Counsel to the Joint Committee on Taxation, has told me that Long will be forced to accept a lot of "crap" with out-year impact (such as accelerated depreciation, additional corporate rate cuts in 1981, indexing of the earned income tax credit, the personal exemption and the standard deduction) in order to secure enough votes to pass the bill. He has stated that Long and Ullman will get rid of these items in the Conference.

2. Even though the Senate bill will spend several billion dollars more than the House bill, it will be very difficult for Long to achieve both the Administration's objective of providing a substantially better break for both low and middle income taxpayers as well as achieving his own apparent objective of increasing the amount of capital gains reductions. For example, Tables 1 and 2 of Mike's memo indicate that although Long's proposal to expand the earned income tax credit would provide substantially larger tax cuts for those in the \$5,000 to \$10,000 brackets (an important factor), the overall package he is considering would, on a percentage distribution basis, give the broad range of middle income taxpayers earning between \$10,000 and \$50,000 a smaller share of the overall tax cut than the House bill. Thus, the tentative Senate version does help the near-poor but not the middle-class.

3. Yesterday, the Finance Committee approved capital gains proposals which would exclude 70%, as opposed to the present 50%, of capital gains from ordinary income tax. This proposal, even if coupled with the "strong" alternative minimum tax which Long has been talking about\*, would cost about \$3.5 billion -- or roughly \$2 billion more than the House bill on capital gains. (Mike advises us that he has been telling Long that an exclusion rate of higher than 60% for capital gains would be out of the question as far as the Administration is concerned. We agree.) Bobby Shapiro has indicated that Long will recede to either a 65% or 60% exclusion rate in the Conference. A package consisting of a 60% exclusion rate plus Long's "strong" alternative minimum tax would still cost about \$2.6 billion, or \$1 billion more than the House bill.

This moves contrary to the Administration position that the capital gains reductions in the Senate bill should be substantially less costly than those in the House bill. A 60% exclusion rate would reduce the maximum tax on capital gains from 35% in the House bill down to 28%. The \$2.6 billion package would also cost more than the original Steiger proposal. The 60% exclusion rate for capital gains is important symbolically in that it would mean that greater than half of this form of income would not be subject to ordinary income tax. This problem is partially eliminated by the new alternative minimum tax Long is pushing, but would still leave the capital gains cut at \$1 billion more than the House version. (It now appears unlikely that Long will secure any improvements in the area of capital gains at death.)

4. If we had to guess right now, we would say that it is likely that the tax bill which reaches your desk will not be a very good bill. It will be a far cry from what we proposed and, on balance, a step in the direction away from tax reform. On the other hand, there appears to be a decent chance that the final bill will be substantially fairer to low and middle income taxpayers than the House bill and will contain a slightly stronger minimum tax than the watered-down version passed by the House -- on these grounds, you would probably be given credit for improving the tax bill as far as the average taxpayer is concerned, and the overall bill would be regarded as basically a standoff between the Administration and the Congress, as opposed to a defeat for the Administration.

5. Because of the very uncertain status of the tax bill and in order to maintain maximum leverage and flexibility, we think that the general posture of the Administration should

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\* Long has substantially overstated the strength of his minimum tax proposal. See our note at the end of this memo.

be for Treasury to push Senator Long as hard as possible toward our own objectives but without making any commitments as to whether you would sign or veto specific packages which fall short of our objectives. There is no need to give Senator Long our bottom line at this point.

Specifically, we do not think that Senator Long should be given the signal that his 60% exclusion rate for capital gains and his \$2.6 billion revenue cost are basically acceptable; rather, Treasury should convey the view that not only do we need a strong minimum tax but that it will be "awfully hard" for you to accept capital gains reductions larger than those in the House bill, and that you feel that such revenue should go instead to tax cuts for low and middle income taxpayers. This maximizes the pressure on Long but does not commit you to a veto if we do not get our way.

If, however, you feel that a 60% exclusion and/or a \$2.6 billion revenue cost for capital gains reductions are basically unacceptable and (even if we achieve some of our other objectives on the tax bill) pose a substantial likelihood of a veto, we should begin now to lay the groundwork with Congress and the public for a possible veto of this bill. I would strongly recommend against this. I do not feel a capital gains cut of that magnitude in the current climate would provide a sufficient political basis in and of itself to justify a veto.

At the conclusion of his memo, Mike seeks your guidance on several specific issues. In Item 1, Mike suggests that you affirm his positions that:

- "Loading tax cuts in the out years is unacceptable." We agree.
- "We strongly favor greater progressivity than the House bill." We would make this more concrete by stating that we insist on substantially larger tax cuts for low and middle income taxpayers.
- "We need a strong minimum tax." We agree but believe Mike should insist on a genuinely strong minimum tax -- one which, unlike Long's current proposal, comes reasonably close to the revenue-raising potential of the present law minimum tax.
- "Further reforms would enhance the bill's acceptability." We agree and would add the guidance that any additional loopholes beyond the House bill would significantly reduce the bill's acceptability.

As for Mike's Item 2 concerning capital gains reductions, we would recommend that you give the guidance we have suggested above. Thus, Mike would say: "The President definitely can go no higher than a 60% exclusion but I cannot guarantee signature even then because he is greatly concerned with a capital gains loss higher than the House version."

Note On Senator Long's "Strong" Alternative Minimum Tax

Senator Long has been touting his minimum tax as a "strong" one which would raise over \$1 billion, implicitly comparing it to (a) the present-law minimum tax which raises about \$1.5 billion and (b) the watered-down "micro-mini" (in the words of the Administration and the press) tax passed by the House which raises about \$150 million. This comparison is highly misleading, however, because Long's revenue figure depends upon a 70% exclusion rate for capital gains. If the 50% exclusion rate used under present law and under the House bill were applied, Long's proposal would raise less than \$300 million -- far less than under present law and only about \$100 million more than the House "micro-mini" tax which the Administration and much of the press has sharply criticized. In other words, Long's minimum tax raises over \$1 billion not because it is tough (it is far weaker than the present minimum tax and almost as weak as the "micro-mini" House tax) but because the 70% exclusion exempts such a large part of capital gains from ordinary tax to begin with.

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I would suggest a meeting on this issue where you can be fully briefed on all of the implications of the tax bill.

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Schedule a meeting

---

No meeting -- please convey written guidance to Secretary Blumenthal along the lines suggested above.

ID 784903

THE WHITE HOUSE

WASHINGTON

DATE: 28 SEP 78

FOR ACTION:

INFO ONLY: THE VICE PRESIDENT

HAMILTON JORDAN

STU EIZENSTAT

FRANK MOORE (LES FRANCIS)

JODY POWELL

JERRY RAFSHOON

SUBJECT: SCHULTZE MEMO RE THE TAX BILL

+++++

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: +

+++++

ACTION REQUESTED:

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

ACTION

FYI

*Pres  
fax mtg  
from Ann*

FOR STAFFING

FOR INFORMATION

FROM PRESIDENT'S OUTBOX

LOG IN/TO PRESIDENT TODAY

IMMEDIATE TURNAROUND

NO DEADLINE

LAST DAY FOR ACTION

ADMIN CONFIDENTIAL

CONFIDENTIAL

SECRET

EYES ONLY

VICE PRESIDENT

JORDAN

EIZENSTAT

KRAFT

LIPSHUTZ

MOORE

POWELL

RAFSHOON

WATSON

WEXLER

BRZEZINSKI

MCINTYRE

SCHULTZE

ADAMS

ANDRUS

BELL

BERGLAND

BLUMENTHAL

BROWN

CALIFANO

HARRIS

KREPS

MARSHALL

SCHLESINGER

STRAUSS

VANCE

ARAGON

BUTLER

H. CARTER

CLOUGH

CRUIKSHANK

FALLOWS

FIRST LADY

GAMMILL

HARDEN

HUTCHESON

LINDER

MARTIN

MOE

PETERSON

PETTIGREW

PRESS

SANDERS

VOORDE

WARREN

WISE

THE WHITE HOUSE  
WASHINGTON

9/28/78

Secretary Marshall

The attached was returned in the President's outbox. It is forwarded to you for appropriate handling.

Rick Hutcheson  
cc: The Vice President  
Secretary Adams  
Hamilton Jordan  
Stu Eizenstat  
Frank Moore Jerry Rafshoon  
Jody Powell Jack Watson  
Charlie Schultze  
Jim McIntyre

THE WHITE HOUSE  
WASHINGTON

9/28/78

Mr. President:

Schultze concurs, and Landon Butler has no objection to Marshall's memo.

Comments from Congressional Liaison, Eizenstat and Secretary Adams are attached.

Rick

FOR STAFFING

FOR INFORMATION

FROM PRESIDENT'S OUTBOX

LOG IN/TO PRESIDENT TODAY

IMMEDIATE TURNAROUND

NO DEADLINE

LAST DAY FOR ACTION

ADMIN CONFIDENTIAL

CONFIDENTIAL

SECRET

EYES ONLY

ACTION

FYI

	✓	VICE PRESIDENT
	✓	JORDAN
	✓	EIZENSTAT
		KRAFT
		LIPSHUTZ
	✓	MOORE
	✓	POWELL
	✓	RAFSHOON
	✓	WATSON
		WEXLER
		BRZEZINSKI
	✓	MCINTYRE
	✓	SCHULTZE
	✓	ADAMS
		ANDRUS
		BELL
		BERGLAND
		BLUMENTHAL
		BROWN
		CALIFANO
		HARRIS
		KREPS
	✓	MARSHALL
		SCHLESINGER
		STRAUSS
		VANCE

		ARAGON
		BUTLER
		H. CARTER
		CLOUGH
		CRUIKSHANK
		FALLOWS
		FIRST LADY
		GAMMILL
		HARDEN
		HUTCHESON
		LINDER
		MARTIN
		MOE
		PETERSON
		PETTIGREW
		PRESS
		SANDERS
		VOORDE
		WARREN
		WISE

U.S. DEPARTMENT OF LABOR  
OFFICE OF THE SECRETARY  
WASHINGTON

*Ray - ok -  
no legislation now.  
Let's describe the situation  
including possible need for  
a special session in a  
letter from me to Bob  
& TIP - JC*

September 27, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: SECRETARY OF LABOR, Ray Marshall

SUBJECT: Rail Strike

In my memo to you last night, I provided the background on this dispute, a status report and recommendation. During my morning meeting with Stu Eizenstat, Landon Butler and Charlie Schultze, we agreed to amend the recommendation and I spoke to you about the change. Based upon informal discussions with key members of Congress, the tight Congressional calendar and the judgement of Stu and our Congressional staff, it was decided you should be prepared to create an Emergency Board if the dispute is not settled by noon on Thursday.

We cannot be assured that Congress would act quickly on Administration legislation to end the strike and a continuation of the strike much beyond Thursday would cause severe economic disruption. Consequently, a procedure to quickly end the strike is necessary and the creation of an Emergency Board is the only action you can take to achieve this.

In short, the procedure would work in the following way. Under Section 10 of the Railway Labor Act, the National Mediation Board (NMB) would recommend to you the creation of an Emergency Board. They are empowered to do this when a rail dispute seriously threatens interstate commerce in any section of the country. You would create the Board through an Executive Order. Draft copies of the NMB recommendation and the Executive Order are attached.

An Emergency Board is usually created to prevent rather than end a strike. Since a strike is underway, we have a novel situation, but under our interpretation, the strike would legally be prohibited by the creation of the

Board. The Board traditionally consists of three members including the Chairman. I am now working on a list and will complete it by the end of the day. The Board reports to you in no later than 30 days and for another 30 days no strike action can be taken. The Board does not ensure a settlement of the dispute but rather provides for a 60-day cooling off period and fact finding.

There are two potential problems with the Board procedure. First, as I indicated the creation of the Board requires that the parties return to the "status quo." We interpret the status quo to mean the pre-strike condition. The unions may argue that the status quo is the strike condition existing on the day the Board is created. No clear legal precedent has been established to guide the courts if the unions challenged our interpretation. Furthermore, it is not certain that if the court reviewed the case and issued a temporary restraining order that the unions would return to work. I will do everything I can to gain the cooperation from the unions, but such cooperation may not be automatic.

Secondly, if the 60-day cooling off and fact-finding period fail to produce a settlement, the unions would be permitted to strike again. A strike could only then be resolved by an act of Congress. They could either legislate a settlement or prohibit any strike until a specified date. Since the Congress would not be in session at the end of sixty days, we think you should consider submitting legislation that would extend the status quo provisions of the Railway Labor Act. A draft bill is attached. You could send the bill simultaneous to creating the Emergency Board.

If it becomes necessary to submit legislation, extensive consultation will have to occur with Members of Congress prior to the time such an announcement is made. In this regard, I would recommend that you call a meeting as early as possible on Thursday with the Senate and House joint leadership as well as Senators Williams and Javits of the Senate Human Resources Committee and Congressmen Steiger,

Devine, Rooney and Skubitz of the House Interstate and Foreign Commerce Committee. It is my view that, although there may be some reluctance on the part of the Congress to add to their crowded legislative calendar, they can and should be convinced of the need to continue rail service beyond the time when the 60-day Emergency Board procedures of the Railway Labor Act expire. If legislation of this type is not enacted and a settlement is not reached within 60 days, it would mean that you would have to call a special session of the Congress to deal with the possibility of a renewed stoppage.

I would make myself available to the Congress to work with them to get this legislation passed prior to the time they adjourn in October.

The other important reason to submit legislation now is that if legal challenges stymie the Emergency Board, we will have this legislative solution as a backup.

Another approach which should be considered is to submit no legislation at this time. If the dispute is not resolved during the 60-day emergency board period, you would then have to call the Congress back into special session. The advantages of this approach are:

- ° The Congress may be reluctant or unable to act prior to adjournment in October;
- ° The sense of a real crisis would be heightened if the existing statutory procedures fail to result in an agreement and the Congress would be forced to act and act quickly during this crucial period prior to Christmas;
- ° The members of the current Congress have some experience and seasoning which would cause them to act promptly and wisely, whereas, if additional action were necessary in the new Congress we would be faced with many more new, inexperienced members, and a Congress which would be in the throes of its traditional organization and leadership fights.

At the moment, I am hopeful that our efforts at mediation will succeed. If they do not, we will propose to the parties that they submit to binding arbitration with the unions returning to work. An agreement to return to work and binding arbitration would eliminate the need for any other action. However, we must be prepared with the other options.

~~Attachments~~



THE WHITE HOUSE

WASHINGTON

September 27, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *F.M. / Leo Francis*  
SUBJECT: The Rail Strike

I recommend that we not submit legislation at this time. The calendar is obviously crowded and the resources of the Administration are focused on other high priority legislation.

As we have seen with other labor-management legislation, quick passage would not be assured. It is likely that if an emergency board were convened that the sense of crisis would subside and the need for immediate legislation would not be clear to a Congress which is intent on adjournment.

If legislation were to be submitted, I concur with Secretary Marshall's recommended early meeting with the Leadership and relevant Committee Members.



THE WHITE HOUSE  
WASHINGTON  
September 27, 1978

MEMORANDUM FOR: THE PRESIDENT  
FROM: STU EIZENSTAT *Stu*  
SUBJECT: The Rail Strike

I agree with Secretary Marshall's recommendation that we should proceed to appoint an emergency board to end the strike. I believe, however, that it would be very unwise to send up legislation to Congress on this matter.

An emergency board is justified for several reasons:

1) It is the law on the books. Our swift action should win support from the Congress and the public.

2) Appointment of a board should end the immediate crisis caused by the strike. We may have to win a court test to force the union to return to work, but I believe that the intent of the law is clear enough to make favorable court action probable.

3) The board's recommendations may well form the basis for a settlement of the strike. I understand that the parties are not really far apart on the issues but that personalities and stubbornness are playing a part. An emergency board may be able to cut through this resistance.

Legislation appears to me to be unwise for equally persuasive reasons:

1) There is little enthusiasm in the Congress for adding this politically volatile labor-management issue to the already crowded calendar. I understand that Senator Williams (whose committee would have jurisdiction) has not recommended legislation. Senator Cannon's committee, which might also become involved, is also reluctant to take on a legislative proposal. The Speaker, I believe, also opposes introduction of a bill.

2) We would have little control over the legislation. The Congress is deeply and bitterly divided over labor-management

issues. Our proposal would likely become the target for highly controversial amendments from both sides. Without a consensus on the issues we might not be able to win passage of a bill we could sign.

3) If we do not have a settlement by November there will be a clearer national sense of crisis, and the Congress is more likely to act swiftly. We will have exhausted all the available remedies. And we will be better able to judge and inform the public and the Congress of the merits of the dispute.

4) Legislation now will weaken the pressure on the parties to negotiate a settlement during the 60 day cooling off period.

If you agree not to send up legislation I recommend that you call Senator Byrd and the Speaker to inform them of your proposed course of action. You might want to explain that in light of the difficult Congressional schedule you have decided not to burden them with a new proposal but that you may need their help and cooperation should a special session become necessary if an agreement cannot be reached in 60 days.



THE SECRETARY OF TRANSPORTATION  
WASHINGTON, D.C. 20590

September 27, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Brock Adams  
SUBJECT: Norfolk and Western Rail Strike

I have met twice today with Ray Marshall on this matter, and we have determined that the President of the Norfolk and Western will be available tomorrow, if necessary, to complete the negotiations.

This evening I have received my copy of Ray Marshall's memorandum to you, and I would recommend the following:

- The current 24-hour negotiation period should be used first to attempt to settle the issues of this strike; and second, if that is not successful, to try to obtain an agreement from the parties to a process of final arbitration.
- If neither approach works by noon, Thursday, September 28, I recommend that you create an emergency board which will provide for a "cooling-off period."
- I would not recommend sending legislation to extend the board's powers to the Hill simultaneously with an announcement of an emergency board, since it could create an adverse reaction. It would weaken the effect of your announcement of the emergency board, and the Congress may not be prepared in the last days of the Session to face legislation until it thought all other avenues had been exhausted.
- If labor does not return to work, or if a return to work and "cooling-off period" are successfully challenged by labor in the court, we will need to obtain Hill support for legislation to mandate settlement.

A handwritten signature in black ink, appearing to read "Brock Adams", is written over a large, stylized circular flourish.

Brock Adams

cc: Stu Eizenstat



NATIONAL MEDIATION BOARD  
WASHINGTON, D. C. 20572

OFFICE OF THE CHAIRMAN

Emergency Board No. 188

Dear Mr. President:

In the judgment of the National Mediation Board, a situation exists such as is described in the Railway Labor Act, as amended, Section 10, with respect to a dispute between the Norfolk & Western Railway Company and certain of its employees represented by the Brotherhood of Railway, Airline and Steamship Clerks, Freight Handlers, Express and Station Employees.

The dispute covers the organization's proposals and the carrier's counter-proposals concerning job protection for the employees represented by the organization and to what extent those employees will be awarded work resulting from technological change.

The situation appears to the National Mediation Board as being extremely critical in that the organization's strike against the carrier has spread to other carriers to the extent that the dispute in question threatens substantially to interrupt interstate commerce to a degree such as to deprive a section of the country of essential transportation services.

This dispute has been handled in conformity with the Railway Labor Act, as amended, but has not been adjusted.

We are herewith transmitting for your consideration a draft of an executive order creating a board to investigate the dispute pursuant to Section 10 of the Railway Labor Act, as amended.

Respectfully,

David H. Stowe  
Chairman

The President  
The White House

EXECUTIVE ORDER

- - - - -

CREATING AN EMERGENCY BOARD TO INVESTIGATE  
A DISPUTE BETWEEN THE NORFOLK AND WESTERN  
RAILWAY COMPANY AND CERTAIN OF ITS EMPLOYEES

A dispute exists between the Norfolk and Western Railway Company and certain of its employees represented by the Brotherhood of Railway, Airline and Steamship Clerks, Freight Handlers, Express and Station Employees, a labor organization;

This dispute has not heretofore been adjusted under the provisions of the Railway Labor Act, as amended; and

This dispute, in the judgment of the National Mediation Board, threatens substantially to interrupt interstate commerce to a degree such as to deprive a section of the country of essential transportation service:

NOW, THEREFORE, by virtue of the authority vested in me by Section 10 of the Railway Labor Act, as amended, 45 U.S.C. § 160, I hereby create a board of three members, to be appointed by me, to investigate this dispute. No member of the board shall be pecuniarily or otherwise interested in any organization of railroad employees or any carrier.

The board shall report its finding to the President with respect to the dispute within 30 days from the date of this order.

As provided by Section 10 of the Railway Labor Act, as amended, from this date and for 30 days after the board had made its report to the President, no change, except by agreement, shall be made by the Norfolk and Western Railway Company, or by its employees, in the conditions out of which the dispute arose.

THE WHITE HOUSE

PROPOSED PRESS RELEASE

The President announced today the creation of a Presidential Emergency Board No. 188 to investigate and make recommendations for settlement of the current dispute between the Norfolk and Western Railway Company and certain of its employees represented by the Brotherhood of Railway, Airline & Steamship Clerks, Freight Handlers, Express and Station Employees.

Named as chairman of the board was \_\_\_\_\_;  
named as members were \_\_\_\_\_.

This dispute threatens a shutdown of the nation's railroads. Consequently, the President invoked the Emergency Board procedures of the Railway Labor Act, which in part provides that the Board will report its findings and recommendations for settlement to the President by \_\_\_\_\_, 1978. The parties must then consider the recommendations of the Emergency Board and endeavor to resolve their differences without engaging in self-help during a subsequent 30-day period.

###

Dear Mr.

Pursuant to the Railway Labor Act, as amended, I created by Executive Order an Emergency Board to investigate a dispute between the Norfolk and Western Railway Company and certain of its employees represented by the Brotherhood of Railway, Airline & Steamship Clerks, Freight Handlers, Express and Station Employees. The functions and duties of the Emergency Board are set forth in the Railway Labor Act, as amended, and in the Executive Order creating the Board.

I am pleased to learn that you are willing to serve on this Emergency Board, and accordingly, I hereby appoint you as Chairman of the Board. This letter will constitute your appointment and your authority to act as Chairman of the Board. Each member of the Board is to receive compensation at the rate of            per day for each day that the member is actually engaged in the performance of the member's duties or in travel in connection therewith. In addition, each member of the Board will be allowed per diem in lieu of subsistence while so engaged away from the member's home or the member's regular place of business.

Sincerely,

Mr.

Dear Mr.

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I am pleased to learn that you are willing to serve on this Emergency Board, and accordingly, I hereby appoint you as a member of the Board. This letter will constitute your appointment and your authority to act as a member of the Board. Each member of the Board is to receive compensation at the rate of            per day for each day that the member is actually engaged in the performance of the member's duties or in travel in connection therewith. In addition, each member of the Board will be allowed per diem in lieu of subsistence while so engaged away from the member's home or the member's regular place of business.

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Sincerely,

Mr.

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

Honorable Thomas P. O'Neill, Jr.  
Speaker of the House  
Washington, D.C. 20515

Dear Mr. Speaker:

I am transmitting herewith draft legislation to avert the threatened nationwide interruption of rail service due to a labor dispute.

The draft legislation provides for a prohibition against strikes and lockouts in this dispute until February 1, 1979. During this time an Emergency Board created by Executive Order pursuant to the Railway Labor Act shall investigate the facts as to the dispute and make a report to the President. It is hoped that this legislation will give the parties adequate time to resolve this dispute while assuring that there will be no interruption of the Nation's essential railroad services.

I recommend that the legislation I am transmitting be given immediate and favorable consideration.

The Office of Management and Budget advises that

Sincerely,

Secretary of Labor

Enclosure

95th Congress

Second Session

JOINT RESOLUTION

To create a period during which there shall be no changes of conditions out of which the current dispute arose between the Norfolk and Western Railroad and certain of its employees.

Whereas a dispute exists between the Norfolk and Western Railroad and certain of its employees represented by the Brotherhood of Railway, Airline and Steamship Clerks; and

Whereas the parties have been unable to reach agreement through mediation conducted under the auspices of the National Mediation Board; and

Whereas the strike by said employees of the Norfolk and Western Railroad which began July 10, 1978, has spread to other railroads thereby threatening substantially to interrupt interstate commerce to a degree such as to deprive the country of essential transportation services; and

Whereas it is essential to the national interest including the national health and defense that essential transportation services be maintained; and

Whereas the Congress finds that an emergency measure is essential to security and continuity of transportation services between Norfolk and Western Railroad and such other carriers as have been embroiled in the dispute; and

Whereas the provisions of section 10 of the Railway Labor Act have been invoked and the President has appointed an Emergency Board to investigate and report to him on the dispute; and

Whereas the time period prescribed under section 10 may not be adequate to permit resolution of the dispute without further interruption of rail service; and

Whereas it is desirable to achieve the above objectives in a manner conducive to the resolution of the dispute through collective bargaining; Therefore be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, that the time period in the final paragraph of section 10 of the Railway Labor Act is extended until 12:01 February 1, 1979 antemeridian so that no change, except by final

and binding agreement, shall be made by the parties in the conditions which were in effect immediately prior to when the dispute arose; that no party to the dispute shall resort to self-help; and notwithstanding the provisions of any other law, the United States District Court for the District of Columbia shall have exclusive jurisdiction over any and all suits, including jurisdiction to grant injunctive relief, which may arise out of this Act.

ID 784895

THE WHITE HOUSE

WASHINGTON

DATE: 27 SEP 78

FOR ACTION: STU EIZENSTAT

FRANK MOORE (LES FRANCIS)

JIM MCINTYRE

CHARLIE SCHULTZE

LONDON BUTLER

INFO ONLY: THE VICE PRESIDENT

BOB LIPSHUTZ

JODY POWELL

SUBJECT: MARSHALL MEMO RE RAIL STRIKE

IMMEDIATE TURNAROUND - COMMENTS DUE TONIGHT

+++++

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: +

+++++

ACTION REQUESTED:

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

ID 784895

THE WHITE HOUSE

WASHINGTON

DATE: 27 SEP 78

FOR ACTION: STU EIZENSTAT

FRANK MOORE (LES FRANCIS)

JIM MCINTYRE

CHARLIE SCHULTZE

LONDON BUTLER

INFO ONLY: THE VICE PRESIDENT

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+ BY: +

+++++

ACTION REQUESTED:

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

ID 784895

THE WHITE HOUSE  
WASHINGTON

*red dot  
express*

DATE: 27 SEP 78

FOR ACTION: STU EIZENSTAT

FRANK MOORE (LES FRANCIS)

JIM MCINTYRE

CHARLIE SCHULTZE

LONDON BUTLER

INFO ONLY: THE VICE PRESIDENT

BOB LIPSHUTZ

JODY POWELL

LOGGED

Date

9/27

Routing

CLS/PG

SUBJECT: MARSHALL MEMO RE RAIL STRIKE

IMMEDIATE TURNAROUND - COMMENTS DUE TONIGHT

+++++  
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: +

+++++

ACTION REQUESTED:

*7:00 pm*  
STAFF RESPONSE: ☒ I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE  
WASHINGTON

Mr. President:

DPS and OMB concur.

CL has no objection to this but is concerned that, "we run the risk of causing the President serious embarrassment because we are asking the Congress to pass what could be controversial legislation" with only 2 weeks left in the session. CL emphasizes the need for commitments from the congressional leadership (which STR says we have) so that this will move through -- otherwise, we will only have symbolic gains with no legislation.

Rick/Bill